

## Message Text

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DELIVER BERT MOORE OOB 2/3/75

C O R R E C T E D C O P Y (PARA 8 LINE 3 OMITTED)

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TAGS: AORG, OECD, NATO

SUBJECT: 1974 GENERAL REVIEW OF SALARIES FOR THE  
COORDINATED ORGANIZATIONS

REF: A. OECD PARIS 6302

B. USNATO 1516

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1. WE ARE NOT PERSUADED THAT A STANDARD OF LIVING ADJUSTMENT IS JUSTIFIED. THE CASE FOR ADJUSTMENT PUT FORWARD BY THE SECRETARIES-GENERAL HAS, AS YOU CORRECTLY REPORT, APPARENTLY BEEN BASED OVERWHELMINGLY ON ALIGNMENT WITH THE EC COMMISSION. HOWEVER, THREE CRITERIA (IN ADDITION TO SALARY TRENDS IN COMPARABLE INTERNATIONAL ORGANIZATIONS) ARE CITED IN ANNEX VI OF CCG(72)3, ARTICLE 10: (A) TREND OF STANDARD OF LIVING IN MEMBER COUNTRIES; (B) THE EXIGENCIES OF RECRUITMENT; AND (C) THE TREND OF CIVIL SERVICE REMUNERATION IN MEMBER COUNTRIES AND ESPECIALLY IN THE HOST COUNTRY. WE AGREE WITH THE POSITION YOU HAVE TAKEN THAT DEVELOPMENTS IN THE EC COMMISSION ARE NOT THE SOLE REFERENCE POINT, AND THAT THE OTHER CRITERIA NEED TO BE GIVEN MUCH HEAVIER WEIGHT SUPPORTED BY FURTHER ANALYTICAL CONSIDERATION.

2. AS TO RECRUITMENT, OUR IMPRESSION IS THAT THE OECD AND NATO HAVE ABSOLUTELY NO DIFFICULTY IN THIS RESPECT, AND INDEED HAVE BECOME INCREASINGLY ATTRACTIVE EMPLOYERS FROM THE VIEWPOINT OF US CITIZENS. IF THE SECRETARIES-GENERAL WISH TO ADVANCE A CONTRARY VIEWPOINT, WE WOULD BE INTERESTED IN SEEING DATA ON TURNOVER RATES OVER THE PAST FEW YEARS, AS WELL AS DATA ON NUMBERS OF APPLICANTS FOR VACANCIES.

3. MORE FUNDAMENTALLY WE HAVE AS YET SEEN NO ADEQUATE TREATMENT OF THE RELATIONSHIP BETWEEN THE POSITION OF CCG EMPLOYEES ENJOYING TAX-EXEMPT STATUS AND THE POSITION OF NATIONAL CIVIL SERVICE EMPLOYEES. US CIVIL SERVANTS HAVE RECEIVED LESS THAN FULL COST OF LIVING ADJUSTMENTS DURING THE PERIOD OF RAPID INFLATION UNDER CONSIDERATION. WHAT HAS BEEN THE POSITION OF CIVIL SERVANTS IN OTHER KEY COUNTRIES (NOTABLY, FRANCE, GERMANY, UK, ITALY, BELGIUM, CANADA, JAPAN) DURING THE SAME PERIOD? HOW DO THESE POSITIONS - NET OF TAX - COMPARE WITH THE CCG STAFF REMUNERATION? IN A PERIOD OF RAPID INFLATION, FULL COST OF LIVING ADJUSTMENTS ARE LIKELY TO RESULT IN THE RAPID RELATIVE IMPROVEMENT OF POSITION FOR THOSE WITH TAX EXEMPT STATUS. THIS WOULD LEAD TO INCREASING DISPARITY OF REAL POSITIONS VIS-A-VIS NATIONAL CIVIL SERVICES.

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FULL OBJECTIVE ANALYTIC TREATMENT OF THIS ASPECT IS REQUIRED FOR GOVERNMENTS TO DEAL ADEQUATELY BOTH WITH THE ISSUE OF STANDARD OF LIVING ADJUSTMENTS AS WELL AS THE PROCEDURES BY WHICH FULL COST OF LIVING ADJUSTMENTS ARE THEMSELVES PROVIDED.

4. OUR GENERAL CONCERN IS THAT CUMULATIVE SALARY INCREASES IN INTERNATIONAL ORGANIZATIONS MAY WELL BE

LEADING TO THE DEVELOPMENT OF AN INCREASINGLY PRIVILEGED CLASS OF INTERNATIONAL CIVIL SERVANTS. WE NOTE THAT STAFF ASSOCIATION DEMANDS APPEAR TO RECEIVE ALMOST AUTOMATIC SUPPORT FROM THE RESPECTIVE SECRETARIES-GENERAL, AND THAT THE NATURAL TENDENCY TO RELATE DEMANDS TO THE MOST FAVORABLE BASIS OF COMPARISON (AS THE CCG STAFFS COMPARE THEMSELVES WITH THE EC COMMISSION) CAN EASILY LEAD TO A RECIPROCAL UPWARD RACHETING EFFECT ON INTERNATIONAL WAGE LEVELS.

5. OUR OBJECTIVE IS TO SLOW DOWN OR STOP THIS ESCALATION, AS INDICATED IN STATE 252040 OF NOVEMBER 15, 1974.

6. THE US IS PARTICULARLY CONCERNED THAT A COMBINATION OF PROCEDURES FOR SOL INCREASES AND AUTOMATIC AND FULL COL INCREASES HAS RESULTED IN AN ESCALATION OF SALARIES IN INTERNATIONAL ORGANIZATIONS WHICH UNDERMINES SUPPORT FOR THESE ORGANIZATIONS AND THE IMPORTANT WORK THEY ARE DOING.

7. THE PROBLEM IS EXACERBATED BY THE EXTREMELY HIGH SALARIES OF SENIOR STAFF OF INTERNATIONAL ORGANIZATIONS WHICH HAVE RESULTED FROM THE EFFORT OF EACH ORGANIZATION TO MAINTAIN COMPARABILITY WITH THE MOST FAVORED INTERNATIONAL STAFF, OBTAIN FULL COL ADJUSTMENTS, AND CONTINUE TO INCREASE REAL INCOME. THIS PHENOMENON IS MOST VISIBLE WHEN ONE FINDS SENIOR OFFICIALS OF THESE ORGANIZATIONS EARNING SUBSTANTIALLY MORE THAN MOST PARLIAMENTARIANS AND MINISTERS OF THEIR MEMBER COUNTRIES.

8. ACTION REQUESTED. YOU SHOULD CONCERT WITH THOSE KEY DELEGATIONS LIKELY TO BE SYMPATHETIC. WITH THESE DELEGATIONS AND IN THE CCG YOU SHOULD DRAW ON THE FOREGOING. YOU SHOULD INDICATE LIMITED OFFICIAL USE

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THAT WE WISH A MORE CAREFUL SCRUTINY THAN HAS SO FAR OCCURRED AS TO WHETHER ANY STANDARD OF LIVING ADJUSTMENT AT ALL SHOULD BE ACCORDED AT THIS TIME. YOU SHOULD ALSO INDICATE THAT WE WILL WISH TO GIVE THE CLOSEST SCRUTINY TO THE COST OF LIVING ADJUSTMENT PROCEDURES. PLEASE REPORT REACTIONS PROMPTLY. WE HAVE NOT INCLUDED IN THIS MESSAGE INSTRUCTIONS REGARDING SUCH MATTERS AS EDUCATION AND EXPATRIATION ALLOWANCES REQUESTED IN REF A, SINCE WE WISH TO FOCUS AT THIS POINT ON THE CENTRAL ISSUE OF PRINCIPLE. KISSINGER

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